

## Message Text

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ACTION SS-25

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PASS TO AMBASSADOR EBERLE, STR, FROM PROPPS

E. O. 11652 N/A

TAGS: ETRD, GATT

SUBJECT: ARTICLE XXIV:6 NEGOTIATIONS - AGRICULTURAL REQUESTS

1. WITH EXCEPTION OF GRAINS PAPER, DELEGATION HAS FORMULATED ITS VIEWS ON SEPARATE COMMODITY PAPERS SUBMITTED TO YOU BY USDA. WILL SEND YOU PROMPTLY DELEGATION COMMENTS ON GRAINS PAPER AND ON LIST OF REQUESTS FOR ITEMS FOR WHICH NO SEPARATE PAPERS PREPARED. RICE AND REVISED TOBACCO PAPER NOT RECEIVED. ( WE ASSUME USDA HAS REVISED TOBACCO PAPER PER YOUR CONVERSATION WITH GOODMAN AND PROPPS APRIL 10)

2. FRESH CITRUS. RECOMMEND US REQUEST RATES OF 5 PER- CENT FOR ORANGES ( CXT 08.02 A 1 A) FOR PERIOD MARCH 1 THROUGH OCTOBER 15; 3 PERCENT FOR LEMONS ( CXT 08.02 C); AND 3 PERCENT FOR GRAPEFRUIT ( CXT 08.02 D). US INDUSTRY HAS REQUESTED DUTY-FREE TREATMENT; SUGGESTED ABOVE RATES FOR TRANSITION PERIOD; AND ASKED FOR EXTENSION OF LOW- DUTY PERIOD FOR ORANGES FROM APRIL 1- OCTOBER 15 TO MARCH 1- OCTOBER 15. ITS REQUEST ON TIME PERIOD BELIEVED PARTICULARLY IMPORTANT. IF RECOMMENDED REQUEST MET, EC CAN BE EXPECTED TO CLAIM CREDIT, WHICH WE ESTIMATE ON DUTY COLLECTIBLE BASIS AS APPROXIMATELY \$662,000 FOR ORANGES, \$389,000 FOR LEMONS AND \$70,000 FOR GRAPEFRUIT, OR A TOTAL OF \$1.1 MILLION. HIGHLY UNLIKELY USDA PROPOSED REQUEST OF ZERO WOULD BE MET; IF SO, EC COULD BE EXPECTED TO CLAIM MUCH

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GREATER CREDIT.

3. APPLES AND PEARS ( CXT EX08.06 A II) AND ( CXT EX 08.06 BII). CONCUR IN USDA REQUEST.

4. LARD FOR FOOD USES ( CXT 15.01 A II) - DELEGATION BELIEVES REQUEST SHOULD BE DIRECTED TOWARD HOLDING UK MARKET, WHERE \$30.4 MILLION OF IMPORTS FROM US ENTERED UNDER BOUND ZERO DUTY. IT RECOMMENDS US REQUEST DUTY- FREE TARIFF QUOTA OF 370 MILLION POUNDS FOR UK IMPORTS, ESTIMATED VALUE \$40 MILLION. IF REQUEST MET, EC MAY TRY TO CLAIM SOME CREDIT SINCE PROPOSED QUOTA, WHICH BASED ON US SHARE OF MARKET IN 1961/65, IS GREATER THAN UK IMPORTS FROM US DURING 1970-71 BASE PERIOD, WHICH WE CONSIDER UNREPRESENTATIVE BECAUSE OF EC SUBSIDIES. IF EC CONSIDERS TARIFF QUOTA MUST BE ON COMMUNITY- WIDE BASIS, TARIFF QUOTA SHOULD BE INCREASED TO COVER EC TRADITIONAL IMPORTS FROM US.

DELEGATION RECOMMENDS AGAINST USDA PROPOSAL BECAUSE IT SEES NO PROSPECT EC WOULD ACCEPT. MOREOVER, IF PROPOSED USDA REQUEST WERE MET, EC WOULD HAVE LARGE CLAIM FOR CREDIT ( SINCE HIGH RATES IN EC OF SIX AND IRELAND WHICH ARE NOW UNBOUND WOULD BE REDUCED SUBSTANTIALLY AND BOUND). ESTIMATE THIS CREDIT CLAIM MIGHT BE APPROXIMATELY \$2.5 MILLION ON DUTY COLLECTIBLE BASIS AND OUT OF PROPORTION TO BENEFITS TO US TRADE.

5. CANNED FRUIT ( CXT 20.06 BII A, 20.06 BII B, AND 20.06 BII C). DELEGATION RECOMMENDS US FORMULATE ITS REQUEST ONLY AFTER DISCUSSION WITH PRINCIPAL SUPPLIERS ( AUSTRALIA AND SOUTH AFRICA). US HAS SCATTERED RIGHTS OF INITIAL NEGOTIATION IN THE CONCESSION OF ACCEDING COUNTRIES BUT RELATIVELY SMALL SUPPLIER POSITION COMPARED TO AUSTRALIA AND SOUTH AFRICA. RATE RECOMMENDED IN USDA PAPER (15 PERCENT FOR ALL CANNED FRUITS) MAY BE HIGHER THAN COMMONWEALTH SUPPLIERS HAVE IN MIND.

NOTE: DELEGATION INTENDS TO CONSULT WITH PRINCIPAL SUPPLIERS.

6. VARIABLE LEVIES FOR ADDED SUGAR - PROCESSED FRUIT ( CXT 20.03, 20.04, 20.05, 20.06 AND 20.07). DELEGATION CONCURS US SHOULD ASK EC TO ELIMINATE VARIABLE COMPONENT THESE DUTIES AND REPLACE WITH FIXED DUTY. SUGGEST WE NOT TRY TO SPECIFY EQUIVALENT FIXED DUTY FIGURE BUT REQUEST THAT IT BE THE AD VALOREM EQUIVALENT OF LIMITED OFFICIAL USE

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THE LEVY WHICH WAS REQUIRED BY THE COMMUNITY' S REGULATIONS IN BASE PERIOD 1970-71.

7. FRUIT AND VEGETABLE JUICES ( CXT 20.07, SEVERAL SUB- ITEMS). CONCUR IN USDA REQUEST OF 15 PERCENT FOR ALL JUICES ON WHICH US HAS CLAIMED NEGOTIATING INTEREST. RATE APPEARS TO BE LOWER THAN WE CAN JUSTIFY ON BASIS AVERAGE TARIFFS, AND COMMUNITY CAN BE

EXPECTED TO CLAIM CREDIT, WHICH DELEGATION ESTIMATES AT ABOUT \$50,000 ON DUTY- COLLECTED BASIS.

8. MAIZE, IN GRAIN OR EAR FORM, PRE- COOKED OR OTHERWISE PREPARED ( CXT 21.07 AI)( INCLUDES FROZEN AS WELL AS CANNED CORN). DELEGATION RECOMMENDS US ASK EC TO PROVIDE SEPARATELY FOR THIS ITEM IN ITS SCHEDULE AT RATE OF 13 PERCENT WITHOUT ANY VARIABLE LEVY. THIS REQUEST IS CONSIDERABLY LOWER THAN CURRENT CXT OF 13 PERCENT, PLUS VARIABLE LEVY AVERAGING 9-10 PERCENT, AND IS SLIGHTLY LOWER THAN THE DELEGATION' S CALCULATION OF WEIGHTED AVERAGE (14.2 PERCENT) OF RATES OF DUTY OF NINE INCLUDING THE VARIABLE LEVY OF THE EC. RECOMMENDATION IS IN ACCORD WITH RATIONALE IN USDA PAPER BUT RATE IS AT LEVEL ABOVE THAT RECOMMENDED BY USDA. IT SHOULD BE NOTED THAT COMMUNITY CHARGES PREFERENTIAL SUPPLIERS THE VARIABLE LEVY BUT NOT DUTY.

NOTE: DELEGATION INTENDS TO ASK CANADIAN DELEGATION WHAT ITS INTENTIONS ARE WITH RESPECT TO THIS ITEM FOR WHICH IT IS PRINCIPAL SUPPLIER IN UK.

9. SOY PROTEIN CONCENTRATES ( CXT 21.07 EX CXT 35.04). DELEGATION RECOMMENDS THAT US REQUEST EC ENSURE MAINTENANCE OF THE 8 PERCENT RATE WHICH IT AND THE UK APPLY TO IMPORTS OF SOY PROTEIN CONCENTRATE BY ESTABLISHING SEPARATE ITEM IN EC SCHEDULE UNDER WHATEVER TARIFF ITEM IS APPROPRIATE ( SPECIFIC DESCRIPTION OF PRODUCT SHOULD BE PROPOSED BY WASHINGTON COMMODITY AND TARIFF EXPERTS). DELEGATION' S CALCULATION OF WEIGHTED AVERAGE OF DUTIES OF EC OF NINE IS 6.7 PERCENT RATHER THAN 5.5 PERCENT SHOWN IN USDA PAPER. SINCE DANISH DUTY IS ZERO, US WOULD BE ENTITLED TO CLAIM SMALL CREDIT FOR NOT ASKING FOR CXT RATE AROUND 7 PERCENT. BASSIN

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